

National Healthcare Services, Inc.

4523 102nd Lane NE
Kirkland, Washington 98033
425-450-4000

October 21, 1999

Webster E. Barth
4569 157th Ave SE
Bellevue, Washington 98006

LETTER OF ENGAGEMENT

Dear Web:

This letter is intended to memorialize our agreement for services you will render to National Healthcare Services, Inc., ("NHCS") and the compensation you will receive. The agreement will take effect upon signature hereof by all parties and will be terminable by you on 60 days written notice (with or without cause) and terminable by NHCS only for cause, also on 60 days written notice. (For purposes herein, "for cause" shall mean a material failure to perform any of your duties as set forth in Exhibit "B" attached hereto and incorporated herein by reference.)

Attached hereto as Exhibit "B" is a general list of duties you have agreed to perform. In exchange for such performance ninety-five dollars (\$95.00) of premium of every household enrolled in the Benefit Program shall be distributed to you as such premiums are received by NHCS (or sent directly to you from PTNA upon instruction by NHCS). This fee shall be deemed earned and payable when PTNA receives the full premium in cash for Benefit Program business pursuant to applications procured while this Agreement is in effect. Renewal fees for every household in the Benefit Program shall be treated in the same manner with ninety-five dollars (\$95.00) being paid to you when PTNA receives the applicable renewal premiums in cash and upon your continued performance of the services and responsibilities set forth in Exhibit "B".

The parties hereto acknowledge that the underlying PTNA/NHCS contract provides for a buyout of the NHCS position by PTNA. In the event of such buyout Web Barth shall have the option of continuing this contract for twelve months (or such longer term as he may thereafter negotiate with PTNA or the successor to NHCS) or receiving a lump sum payment as follows:

0% of the first \$5,000,000
1% of a sale between \$ 5,000,001 and \$ 10,000,000
2% of a sale between \$ 10,000,001 and \$ 15,000,000
3% of a sale between \$ 15,000,001 and \$ 20,000,000
4% of a sale between \$ 20,000,001 and \$ 25,000,000
5% of any sale over \$ 25,000,001.



In either election, Web Barth agrees not to compete, directly or indirectly, for twelve (12) months following either the receipt of the lump sum payment or the termination of the contract as extended. The parties hereto agree to execute such further documents as are reasonably required to memorialize the non-competition provision set forth above.

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the 21st day of October, 1999.

NATIONAL HEALTHCARE
SERVICES, INC.

By:


H. E. Schwartz, President

By:



Webster E. Barth III

EXHIBIT "B"

NHCS Ongoing Program development, Management and Service Functions

- Benefit provider screening and recommendations.
- Create vendor relationships.
- Manage development of all creative materials and forms; sales brochures, fulfillment package, salesmen's forms, processing forms.
- Develop and register trade names, trademarks, and logos to be owned by National Healthcare Services, Inc.
- Develop all Program Logistics; orders, fulfillment, payments.
- Develop and oversee all data activity between Penn Treaty and the service providers & develop systems for payment processing and accounting to network providers.
- Develop system for Penn Treaty agents to suggest senior care facilities to network providers.
- Develop customer service requirements and correspondence, phone scripts, Q&A forms.
- Provide all fulfillment materials to members as they sign up.
- Provide all inbound toll free customer service and/or correspondence for provider locator, cancellations, etc.
- Provide a quality control system to monitor customer service.
- Provide regular reports of customer satisfaction and quality control.
- Screen and source all new benefits, add new and unique benefits periodically to keep the program competitive and unique.
- Provide recommendations and programs targeted at maintaining persistency and renewals.
- Maintain and manage customer databases and data transfer between all parties.
- Act as liaison between Penn Treaty, National Healthcare Services and benefit service providers.
- If requested or desired, provide a program to collect payments, process disbursements to all parties.